

## Message Text

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ORIGIN FRB-02

INFO OCT-01 AF-05 ISO-00 EB-05 RSC-01 /014 R

66630

DRAFTED BY: NORMAND BERNARD

APPROVED BY: AF/E: W.B. COOTE

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FM SECSTATE WASHDC

TO AMEMBASSY PRETORIA PRIORITY

INFO AMCONSUL JOHANNESBURG PRIORITY

C O N F I D E N T I A L STATE 195923

PLEASE DELIVER BEFORE 3:00 P.M. LOCAL TIME

FOR THE THE HONORABLE ARTHUR F. BURNS, CHAIRMAN FEDERAL RESERVE  
BOARD

BY VOICE VOTE THE SENATE APPROVED A BILL YESTERDAY THAT WOULD RE-  
QUIRE RATE CEILINGS ON ALL TIME DEPOSITS OF LESS THAN \$100,000.  
WE UNDERSTAND THAT THE HOUSE WILL VOTE ON THE SAME BILL LATE  
TODAY.

THE DOLLAR FIRMED AGAINST ALL MAJOR CURRENCIES EXCEPT THE DUTCH  
GUILDER IN QUIET EXCHANGE MARKET DEALINGS TODAY. EUR-DOLLAR RATES  
FIRMED, WHILE CALL MONEY EASED IN GERMANY. THE DUTCH MONEY  
MARKET REMAINED RELATIVELY TIGHT.

THE ONLY REPORTED FOREIGN CENTRAL BANK INTERVENTION WAS BY THE  
BANK OF JAPAN, WHICH SOLD \$40 MILLION.

THE SYSTEM CONTINUED TO PURCHASE MARKS AND BELGIAN FRANCS TOWARD  
SWAP REPAYMENTS. GOLD WAS UP \$1.00 FROM YESTERDAY AFTERNOON AT  
\$97.75.

IN DOMESTIC MARKETS TREASURY SECURITIES WEAKENED FURTHER TODAY AS  
MARKET PARTICIPANTS APPEARED TO BE REASSESSING THE OUTLOOK FOR  
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MONETARY POLICY. BOND PRICES WERE DOWN AS MUCH AS 3/4 POINT

AND THE 3-MONTH BILL RATE ROSE TO 7.64 PER CENT. FEDERAL FUNDS  
TRADED IN A 10-5/8 TO 10-7/8 PER CENT RANGE, WITH THE EFFECTIVE  
RATE EXPECTED TO BE SET AT 10-3/4 PER CENT. THE DESK SUPPLIED  
ABOUT \$1 BILLION OF RESERVES TODAY. YESTERDAY'S RESERVE-SUPPLYING  
OPERATIONS WERE LARGELY OFFSET BY AN UNANTICIPATED SHORTFALL.  
STOCK PRICES MOVED HIGHER IN ACTIVE TRADING. THE DOW JONES INDUS-  
TRIALS ROSE 7.82 TO A LEVEL OF 956.65.

THE CONFERENCE BOARD REPORTED THAT ITS INDEX OF CONSUMER CONFI-  
DENCE FELL SHARPLY IN THE LARTEST PERIOD TO AN 18-MONTH LOW, BUT  
THE BOARD'S INDEX OF BUYING PLANS EDGED UP. THE MIDDLE ALTERNA-  
TIVE DESCRIBED BY GOVERNOR MITCHELL TO YOU YESTERDAY WAS ADOPTED  
BY A NARROW MARGIN. YOU HAD EXPRESSED A PREFERENCE FOR THIS  
ALTERNATIVE. KISSINGER

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## Message Attributes

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